

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7051

BILL NUMBER: HB 1142

DATE PREPARED: Dec 28, 2001

BILL AMENDED:

SUBJECT: Home Loan Protection Act.

FISCAL ANALYST: Chris Baker

PHONE NUMBER: 232-9851

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill regulates certain consumer mortgages and prohibits certain lending practices.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The bill requires that a creditor may not make a high-cost loan without first receiving certification from a counselor approved by a state housing financing agency or the Department of Financial Institutions (DFI). If more certifications result from the bill, additional administrative costs could be incurred by the DFI to process those certifications.

The seven-member Financial Institutions Board met eight times in 1999, at least six times in 2000, and seven times through November of 2001. If additional rules were necessary in order to carry out the provisions of the bill, the Board could incorporate the adoption of the rules during the normal course of business. Currently, Board members receive approximately \$153 per meeting (based on eight meetings per year). Total cost for salary for members to meet in a given year is approximately \$28,000. (Current law requires a salary for Board members of \$4,000 per year.) Additionally, each member is entitled to receive actual and necessary travel and other expenses incurred in the performance of the member's duties.

Explanation of State Revenues: *Civil Penalty:* Persons committing deceptive acts under this bill may be assessed not more than \$500 per act according to current law. If an injunction has been filed and has been violated, the person violating the injunction would be required to pay a civil penalty not exceeding \$15,000.

Criminal Penalty: A violation of the bill is considered a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and

collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Criminal Penalty:* A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Criminal Penalty:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Department of Financial Institutions.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Department of Financial Institutions website.